



Insurance Quarterly

The Kansas Insurance Department ■ Sandy Praeger, Commissioner
Winter 2008



Kansas Insurance Department

The 2008 NAIC officers, all state insurance commissioners, were elected Dec. 4, 2007, in Houston. They are, from left, Vice President Jane Cline (West Virginia), President-elect Roger Sevigny (New Hampshire), President Sandy Praeger (Kansas) and Secretary-Treasurer Susan Voss (Iowa).

Praeger named president of NAIC

Kansas Insurance Commissioner Sandy Praeger was named president of the National Association of Insurance Commissioners (NAIC) on Dec. 4, 2007, in Houston.

"I am honored to be named president of the NAIC for 2008," Commissioner Praeger said. "We have many national issues to address in 2008 concerning insurance reform and regulation, and we will strive to focus on what's best for insurance consumers, both in Kansas and across the United States."

Praeger said she expects health insurance to be a major topic of debate this year among presidential candidates.

Headquartered in Kansas City, Mo., the NAIC is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories.

The NAIC's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. Formed in 1871, the NAIC is the oldest association of state officials. For more information, visit NAIC on

Continued on Page 2

Welcome to the revamped KID newsletter

This issue marks the return of the Kansas Insurance Department's Insurance Quarterly newsletter.

We are distributing the newsletter to e-mail addresses from several of our databases, as well as to legislators and select lawyers.

Contact Cynthia Price at cprice@ksinsurance.org or (785) 368-7163 to request a hard copy of Insurance Quarterly; if you or someone you know would like to start receiving the newsletter by e-mail; or if you would like to be removed from the e-mail list. Comments or suggestions may be sent to the same e-mail address.

Insurance Quarterly will be published in February, May, August and November.

Inside this issue

Long-term care partnership
Multi-agency program helps consumers secure their assets for later in life.

Page 2

Record recoveries in 2007
Consumer Assistance Division recovers \$15.1 million for Kansas consumers.

Page 3

Anti-Fraud leads effort
KID division a frontrunner in new case management system.

Page 5

Lawmakers to study LTC Partnership plans

Insurance Commissioner Sandy Praeger is presenting bill language to the Kansas Legislature this session to establish the requirements and parameters of the new Kansas Partnership for Long-Term Care, launched in October by KID, the Kansas Health Policy Authority and the Kansas Department on Aging.

The Long-Term Care Partnership program provides Kansans dollar-for-dollar asset protection. Each dollar that a partnership policy pays out in benefits entitles policyholders to keep a dollar of their assets if they ever need to apply for Medicaid. Partnership programs must be tax-qualified, contain certain consumer

protection provisions and provide inflation protection.

Commissioner Praeger is also advocating this session for an increase in continuing education hours for insurance agents to 24 hours per year. That figure includes adding classes related to the Long-Term Care Partnership. The Commissioner said the additional hours would promote more uniformity in nationwide producer licensing requirements.

For more news about insurance-related legislation during the 2008 session, see Page 6 or go to the KID Web site. Updates on insurance-related bills will be posted on the Web site through out the session.

More information

A brochure produced by the Kansas Insurance Department, the Kansas Health Policy Authority and the Kansas Department on Aging explains this new public/private initiative. The brochure is available from each of the agencies and the Kansas Department of SRS eligibility workers.

It can also be downloaded at www.ksinsurance.org/ltc.



Praeger films ad for Insure U

In August 2007, Insurance Commissioner Sandy Praeger filmed a public service announcement for Insure U for Small Business.

Insure U, developed by the National Association of Insurance Commissioners (NAIC), has components for consumers and small businesses. Its curriculum instructs users about insurance in an informal atmosphere at www.insureuonline.org. Individuals and business owners can research the topics that affect them, then take quizzes to test their knowledge.

“Small businesses are a major engine for our national economy, employing millions of Americans and generating immense economic activity,” Commissioner Praeger said. “Most Kansas businesses are small and locally owned. Informing business owners of the insurance options available to them is an essential part of helping them to become successful.”

Because a person’s auto, home, health and life insurance decisions often depend on their stage in life, the standard Insure U curriculum is geared toward young sin-



The 30-second spot is airing on the four major broadcast networks across the state.

gles, young families, established families and empty nesters.

Owners and managers of small companies and home-based businesses will find information and tips about these types of insurance: workers’ compensation; business property and liability; commercial auto; group health and group disability; group life and key person life; and home-based businesses.

Insure U for Small Business now is also available in Spanish.

NAIC president

Continued from Page 1

the Web at www.naic.org.

Commissioner Praeger was elected Kansas’ 24th insurance commissioner in 2002 and re-elected in 2006. Before becoming insurance commissioner, she served three terms in the Kansas Senate and one term in the Kansas House of Representatives. She also served as mayor of Lawrence, Kan., and was a member of the Lawrence City Commission.

Praeger is a graduate of the University of Kansas. Praeger is a past recipient of the prestigious Dr. Nathan B. Davis Award, bestowed annually by the American Medical Association to individuals who have made a significant contribution to public health through elected and career government service.

Commissioner Praeger served as NAIC president-elect in 2007 and has also been vice president and secretary-treasurer of the organization.

Record money recovery just part of KID's Consumer Assistance units

By Cynthia Price
Publications Writer

KID's Consumer Assistance Division had a record year in 2007, recovering nearly \$15.1 million for Kansas insurance consumers, according to Commissioner Sandy Praeger.

But Jim Welch, Consumer Assistance & Market Conduct director, is hesitant to base the unit's success solely on recovering money by settling consumer disputes with insurance companies.

"We don't really like to gauge it 100 percent on dollars and cents," he said.

Consumer Assistance — divided into Life & Health (L&H) and Property & Casualty (P&C) units — investigates inquiries and complaints filed by consumers, attorneys, companies and agents. Representatives from both units field calls to the KID Consumer Assistance Hotline, 800-432-2484. Kansans can call even if they just want their insurance policy explained or reviewed.

"This record-setting amount illustrates the hard work of our Consumer Assistance representatives," Commissioner Praeger said. "Kansans can be confident their insurance department is working to resolve disputes between companies and consumers in a fair and timely manner."

The insurance department's second-highest recovery amount occurred in 2005, when the department recovered \$13.6 million for Kansas consumers. Recoveries are monies from inquiries and formal complaints filed with the department and returned to policyholders through settlement of claims disputes with insurance companies. These monies are above and beyond what companies had offered consumers.

Though the department recovered a record amount in 2007, it also has handled fewer complaints and inquiries



Kansas Insurance Department

Jim Welch, lower left, is the director of the Consumer Assistance & Market Conduct divisions at KID. The divisions include three managers, Consumer Assistance representatives (including two attorneys), Market Conduct examiners, a Market Conduct analyst and administrative staff.

each year since 2004. Commissioner Praeger points to this trend as evidence that consumers are more educated and companies are more mindful about how claims are handled.

Steve O'Neil, Consumer Assistance L&H manager, estimated that each unit takes 30 to 60 calls per day. In 2007, the units closed more than 4,400 complaints and more than 1,500 inquiries.

Daryl Richardson, Consumer Assistance P&C manager, attributes the division's success to Commissioner Praeger's emphasis on serving Kansans.

"Sandy has always been a consumer advocate, and we all take it to heart," Richardson said. "She wants us to always be the champion of the consumer

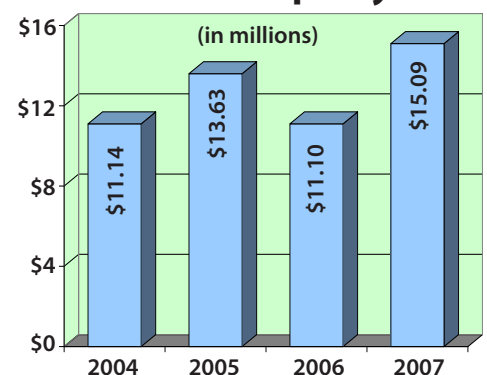
Continued on Page 4

Contact us

By phone: The Consumer Assistance Hotline can be reached at 800-432-2484.

Online: www.ksinsurance.org

Recoveries for Kansas consumers per year



Consumer assistance: firsthand help

in accordance with the Kansas insurance code.”

Wrong place, right time

For some callers to KID, the Consumer Assistance Hotline is the beginning of their journey. Unsure of what regulatory agency they need to contact, they call about Medicaid, Medicare, flood insurance or crop insurance, or any of a number of other programs KID doesn't regulate.

Representatives can direct a caller to the appropriate agency, help them better understand their situation and educate them about the questions they need to ask.

And, they can personally assist consumers with insurance-related questions that fall within the department's regulatory function.

The voice on the other end

Jason Lapham, L&H representative, emphasized that callers during business hours are never forwarded to voicemail.

“This is one agency where you call, and you can talk to a live person. I like being able to say that,” he said.

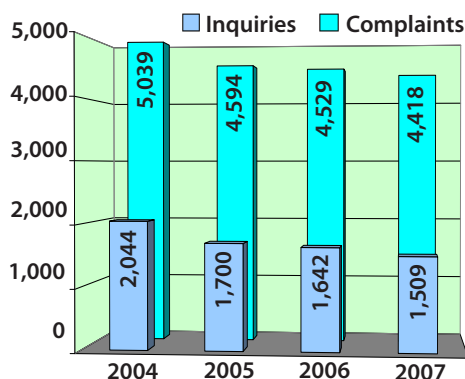
O'Neil said it's important callers always speak with a person at KID because they may have “already been through an automated phone labyrinth (at companies) by the time they call us.”

Callers on the L&H side often request information about the Kansas Partnership for Long-Term Care program (launched in October), complaint ratios, regulations and bulletins, legislation or the need to purchase a policy. On the P&C side, for example, representatives have been fielding questions about damage from ice- and snowstorms in December.

At 3:30 p.m. each day, all representatives work to return any as-yet unanswered messages.

O'Neil said it isn't uncommon for representatives to guide callers — con-

2007 complaints and inquiries



sumers and agents alike — to KID's Web site, which has print-ready agency publications and announcements. Consumers can file complaints or inquiries on the Web site or by letter, but they must be made in writing. More than half of the complaints KID receives are made through the agency's Web site.

“Before we can go back to a company, we have to have something in writing,” Richardson said.

Once a complaint is received, O'Neil and Richardson assign cases to their consumer representatives based on caseloads and areas of expertise. If one company is involved in several cases, they are often assigned to one representative.

A representative will analyze the case and then send a letter to the involved company and any involved agent. By statute, companies have 15 working days to respond.

After reviewing the response, the representative decides whether the company's actions were in accordance with the policy. If so, he or she notifies the consumer and closes the case.

If a policy or regulation is in question, the representative sends the company a rebuttal letter. A case could take three weeks or three months to resolve, but that is just part of the process, according to Claudia Perney, L&H representative.

“Every file's different, so there really isn't a norm,” Perney said.

Additionally, a closed case can be reopened.

Industry know-how

Consumer Assistance employees come from varied work experiences, but they tend to have insurance or benefits backgrounds. Richardson has been in the industry for 37 years. He's worked as an agent, as corporate secretary and operations manager at an insurance company, and as a regulator at KID.

O'Neil worked at an insurance company for 12 years and says he spent most of that time responding to complaints filed with KID.

Both units also have attorneys on staff.

“A lot of our work is facilitating communication,” O'Neil said. He said in the case of a complaint about a pre-existing health condition, a representative reviews the case to find out whether “we can make an argument for this person, or is our role to tell the consumer, ‘No, this is a pre-existing condition.’”

Lapham described the role of KID consumer representatives as “reasonable advocates.”

“This is probably the most rewarding state position I've held because of the type of work we do,” Perney said.

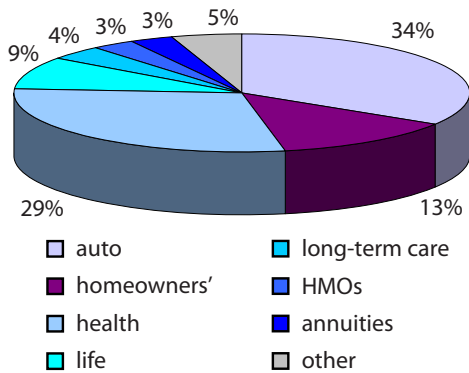
Tracking the storm

Kansas has the most hail events in the nation. Richardson said there is a hail event in Kansas nearly every day during storm season, which begins in early March and lasts well into fall. P&C's estimated monthly storm losses are posted on the KID Web site.

“I've always been the storm coordinator,” Richardson said. He said the EF-5 tornado that destroyed 95 percent of Greensburg, Kan., on May 4, 2007, has

Continued on Page 5

2007 complaints by type



Slices in purple shading represent complaints handled by the Property & Casualty unit.

Slices in blue shading represent complaints handled by the Life & Health unit.

Consumer assistance

Continued from Page 4

resulted in fewer than 10 complaints, and many of those cases involved policyholders who hadn't read their policies or were underinsured.

On the case

Representatives in each unit are assigned one day per week to work on the phone line. An administrative assistant screens all calls, then directs them to the appropriate unit. Calls regarding open cases go to their assigned representatives. Unit managers also take cases, and Welch handles some of the legal cases.

Sometimes the most difficult part of the job is not being able to provide consumers the conclusion they'd sought.

But, Lapham said, "If it makes sense, it makes sense. (We're constrained by the same policies the companies are."

"If the company was legal, no matter how we feel, you have to be reasonable," Perney said. "We deal with some really sick people, and on a personal level, it's just really hard."

Despite the toll of being emotionally involved in what they do, the job gives representatives and managers a sense of satisfaction.

O'Neil said employees subscribe to the philosophy that, "Even if it's a bad day, you've still helped someone."

Anti-fraud system keeps KID at forefront

Kansas was a key contributor in developing a new national insurance fraud case management system, thanks to KID's Anti-Fraud Division.



Ted Clark

State Based Systems (SBS) has developed a component that lets users document and track fraud cases from inception through prosecution. Ted Clark, director of the KID Anti-Fraud Division, said the new system streamlines the investigation process and makes data-mining possible.

The system merges data and can notify users of other reported cases of fraud involving the same people, places, telephone numbers and vehicles.

"Such searches were cumbersome in our old system," Clark said.

Clark, who serves as chairman of the NAIC Anti-Fraud Task Force for Commissioner Sandy Praeger, said KID is one of the first states to acquire the SBS system to manage its anti-fraud cases. Due to the department's membership in NAIC, KID was able to acquire the system at no charge.

"The cost would have been around \$25,000, which was a good price. However, now it's given to us free of charge because of our membership in

About SBS

State Based Systems is designed to streamline processes for state insurance departments, licensees, licensing administrators and consumers.

NAIC," Clark said.

The SBS case management system will be fully integrated with NAIC's Online Fraud Reporting System (OFRS). Companies doing business in Kansas are required by law to report suspected fraud through OFRS.

In the implementation phase of the new system, all KID data will be converted to the SBS system. The system also allows investigators to attach photos, audio and video documents to cases.

To protect the data, SBS has twin servers located 20 miles apart.

"SBS is an excellent example of state insurance regulators working together to achieve uniformity in insurance regulation," Commissioner Praeger said.

Clark said the system is particularly beneficial to small- and medium-sized states because it provides extensive features those states might otherwise not be able to afford. SBS has other products available to NAIC member states, and in 2008 it will have 11 participating members.

Mark your calendars

Insurance Commissioner Sandy Praeger will host the Kansas Insurance Institute on Wednesday, May 7, 2008.

The institute is an educational program offering continuing education (CE) credits for licensed insurance agents. The one-day program will be

at the Overland Park Marriott in Overland Park, Kan.

If you wish to receive a brochure about the institute, send an e-mail with your name and mailing address to KII@ksinsurance.org. Please be sure to put "Kansas Insurance Institute" in the subject line.

Commissioner returns to Greensburg



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance, visited Greensburg on Jan. 4 for an interview with CNBC and to visit local and state officials. It was Praeger's second trip to Greensburg since a May 4, 2007, tornado killed 11 people and destroyed most of the town. The interview will air March 2 during "Business Nation."

Online

At the statehouse

Consumer protections for those pondering life settlement contracts, as well as requirements for the new Kansas Partnership for Long-Term Care and workers' compensation changes, top the proposals to be introduced for KID during the 2008 session of the Kansas Legislature.

Track insurance-related bills and resolutions in the House and Senate, or link to the Kansas Legislature, all from the KID home page.

Legal issues

Regulatory actions, public hearings, legal orders and bulletins are published on the KID Web site. Link to legal issues [here](#), or use the "Legal Issues" Quick Link on the left side of the home page.

KID reports all of its regulatory actions to the National Association of Insurance Commissioners (NAIC). Only fines or penalties of \$1,000 or more are published online.



Check national ratings

Now you can check A.M. Best ratings for insurers through the KID homepage. Just click on the "Agent/Company Search" Quick Link on the left rail. The A.M. Best search box will appear on the right rail. You can also link to A.M. Best's home page from there.

A new look

The KID Web site was recently redesigned to help you find what you need even faster. Use the Consumer Services and Agent/Company Services tabs at the top of the home page.

www.ksinsurance.org

Kansas Insurance Quarterly

Winter 2008

Visit us on the Web at www.ksinsurance.org.

Insurance Quarterly is the official regulatory publication of the Kansas Insurance Department. The newsletter is published quarterly in February, May, August and November. It is mailed for free upon written request to the editor, Cynthia Price, (cprice@ksinsurance.org or 420 S.W. 9th, Topeka, KS 66612). It can also be downloaded from the KID Web site.



The Kansas Insurance Department does not endorse any service, company or person offering any insurance product or service in Kansas.